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# FOREIGN AGRICULTURE



May 16, 1977

Italian wheat arriving at grain silos

- Prospects for Farm Trade with Cuba
- Mideast Poultry Market

Foreign  
Agricultural  
Service  
U. S. DEPARTMENT  
OF AGRICULTURE



## FOREIGN AGRICULTURE

VOL. XV • No. 20 • May 16, 1977

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Wheat trucks wait to unload their cargoes at Coolamon, New South Wales, Australia. Some factors involved in the marketing of Australia's wheat for export are discussed. U.S. wheat for export are discussed, beginning on page 12.

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget through June 30, 1979. Yearly subscription rate: \$34.35 domestic, \$42.95 foreign; single copies 70 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

## With normalized relations

# Cuba Could Again Become A Major U.S. Farm Market

By ROGER NEETZ

*International Trade Policy, Trade Operations Division  
Foreign Agricultural Service*

**The U.S. Government recently began an assessment of the Cuban question. While major political and economic problems must still be negotiated, the progressive approach to improving U.S.-Cuban relations could, if continued, open up new opportunities for U.S. farm trade.**

ONCE THE seventh largest U.S. farm market—as well as a top U.S. supplier of sugar, tobacco, and fruit—Cuba could again become a major importer of U.S. farm products should relations between the two countries be normalized and Cuba's foreign debt situation improve.

Current analyses indicate that under such circumstances the United States might gain at least a third of Cuba's farm imports. (In 1976, Cuba's food<sup>1</sup> imports stood at \$760 million out of total imports of \$3.5 billion, for a 150 percent increase over such imports in 1972.) And a U.S. share of at least two-thirds of this trade is possible considering the commodity composition of Cuba's imports—wheat, rice, corn, flour, lard, canned milk, cotton, and vegetable oil.

All of these products rank as important exports for the United States and can be delivered to Cuba at highly competitive prices. However, Cuba, since the breakoff in trade relations with the United States in 1959, has developed strong trade ties with other nations, including Canada, Argentina, and other Western nations in addition to the USSR and Eastern Europe. Cuba also has a \$4.6-billion debt with the USSR, which might hinder trade with Western countries, and a more than \$1-billion hard-currency debt with Western countries, which poses even greater potential problems.

<sup>1</sup> Cotton, vegetable oils, and other raw materials also account for a sizable portion of Cuban trade, but are not broken out from total trade.

Nonetheless, Cuba holds potential as an importer of a number of U.S. farm products. Among them:

- **Wheat.** Cuban wheat and flour imports are expected to hold at current levels of about 900,000 metric tons a year. Canada now has the largest share of this market, which could complicate U.S. re-entry, but the United States would be competitive given its freight advantage and ability to offer the same quality wheat as Canada.

- **Rice.** These imports total 250,000-300,000 tons annually, helping keep Cuban per capita rice consumption the highest in Latin America. The Chinese and Soviets have been supplying much of this rice in recent years, but U.S. long-grain varieties have been preferred in the past.

- **Coarse grains.** These imports, which consist mainly of corn, have reached an annual level of more than 300,000 tons, with the bulk of them coming from Argentina. The U.S. freight advantage should make U.S. corn highly competitive in this market.

- **Pulses.** As a onetime major supplier of pulses to Cuba, the United States is believed capable of selling 20,000-80,000 tons there today.

- **Vegetable oils.** These imports, estimated at about 65,000 tons annually, now consist mainly of USSR sunflower oil. They could be replaced by U.S. vegetable oils.

- **Cotton.** The United States is believed capable of obtaining a sizable share of this market, which is estimated at 100,000 bales annually.

- **Other products.** U.S. exports to

Cuba of lard, cured pork, cheese, butter, and processed milk averaged about \$14.2 million a year in 1955-59—a trade that has been taken over by Canada and other suppliers. In addition to the possibility of resuming sales of these products, there exists in Cuba a new market for breeding cattle, poultry breeding stock, and hatching eggs.

Historically, there is a strong precedent for U.S. farm trade with Cuba. Prior to the partial and full embargoes on trade with Cuba in 1959 and 1962, the two countries counted one another as key trading partners. Until 1959, the United States was Cuba's largest trading partner, accounting for about 65 percent of the country's total trade turnover.

Agriculture's share in this trade—on both the import and export sides—was significant. In the 1950's, Cuba ranked

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*"In the 1950's Cuba ranked as the largest Latin American market for U.S. farm products and the seventh largest market worldwide, while the United States was Cuba's top farm market."*

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as the largest Latin American market for U.S. farm products and the seventh largest market worldwide, while the United States was Cuba's top farm market. During 1955-59, the United States supplied 68 percent of Cuban farm imports, and took 69 percent of Cuba's agricultural exports, which were dominated by sugar, tobacco, and fruit for an average dollar value of \$405 million annually.

Cuban imports of U.S. agricultural products during that same period averaged \$131 million annually.

Following the United States 1959 partial embargo on trade with Cuba, Cuba and the USSR concluded the 1960 Bilateral Trade and Payments Agreement, redirecting trade to Communist countries. By the end of 1962, Eastern Europe and the USSR comprised 83 percent of Cuba's total trade turnover, and in 1976, Cuban trade with Communist countries totaled \$4.6 billion, or 71 percent of the country's total trade.

Trade with Western countries—Japan, Spain, West Germany, and Canada—has made slow but observable

gains since 1961, although the product exchange remains principally sugar for machinery, manufactured goods, and agricultural products from both Communist and market economies.

Since late 1975, there have also been some modifications in the U.S. embargo to permit foreign companies owned or controlled by U.S. firms to trade with Cuba in nonstrategic foreign-made products. Export licenses issued by the U.S. Treasury Department for \$334 million of nonstrategic products were approved between October 1975 and June 1976—\$233 million of which was foreign grain sold by subsidiaries of U.S. firms.

Almost as dramatic as Cuba's trade shift has been the rapid growth in its total trade. Between 1959 and 1975, the country's total trade turnover grew from \$1.9 billion to \$7.2 billion, dipping in 1976 to an estimated \$6.5 billion.

This trade expansion gives a new dimension to normalization of commercial ties, especially since much of the growth has occurred in imports of farm products. Rice imports, for instance, rose 43 percent between 1957 and 1975 to 275,000 tons; wheat imports soared more than fourfold to 405,000 tons; wheat flour imports gained by almost fourfold to 350,000 tons; corn imports shot from negligible quantities in 1957 and 160,000 tons in 1968 to 330,000 in 1975; and raw cotton imports rose more than threefold to 30,000 tons.

Cuba's main interest in the U.S. farm market, of course, would be to resume sugar shipments, which in the 1950's earned about \$335 million a year in the United States alone. However, current political concern over Cuban sugar imports without equivalent concessions precludes any immediate imports. Also Cuba's interest in the U.S. market may not be strong right now given the low world price for sugar and Cuba's agreement to supply some 3.5 million tons this year to the USSR at a fixed price equivalent to around 66 U.S. cents per kilogram—more than double the current price.

That agreement with the USSR has been both a boon and a burden to Cuban trade during the last few years

of widely fluctuating world prices for sugar. As world prices for sugar began to move upward during the early 1970's, the pact became increasingly onerous, since world prices were above those offered by the USSR. Cuba consequently began diversifying trade away from the USSR to countries like Japan and Spain, where it could earn much-needed hard currency. But following sugar's steep price decline of 1975-76, the agreement once again became a plus factor, and Cuba responded by relying more heavily on the Soviet market.

Cuba has, in fact, agreed to supply 1 million tons more to the USSR this year over the 2.5 million reportedly sold in 1976. Because of this, the Government has announced that no additional sugar will be sold until July 1977, and after that supplies also could be tight.

With a population of nearly 10 million and an average per capita income

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*"Cuba's main interest in the U.S. farm market, of course, would be to resume sugar shipments, which in the 1950's earned about \$335 million a year in the United States alone."*

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of \$820, Cuba needs agricultural trade. Whether some of this will shift to the United States—with the attendant advantage to Cuba of earning hard currencies—depends on Cuba's willingness to comply with provisions of Title IV of the 1974 U.S. Trade Act. This would include entry into a bilateral trade agreement and assurances on free emigration, both subject to Congressional approval. Without such agreement, most-favored-nation tariff status, as well as Eximbank (Export-Import Bank of Washington) and Commodity Credit Corporation credits, would continue to be denied Cuba.

There is also a debate about Cuba's tariff preferences that existed at the time

CURRENT U.S. TARIFF SCHEDULE FOR SELECTED PRODUCTS

Commodity	Column 1, MFN tariff	Column 2, Non-MFN tariff
Sugar .....	1.987 cents per pound	1.987 cents per pound
Cigars .....	95 cents per pound plus 5 percent ad valorem	\$4.50 per pound plus 25 percent ad valorem
Rum .....	\$1.75 per gallon	\$5.00 per gallon



of the U.S. embargo and currently remain in a suspended status. One point of view is that the Trade Act supersedes these rights, and Cuba would be subject to the higher Column 2 U.S. tariff rate. This would not, however, affect sugar sales, since U.S. tariff rates are currently the same for all countries, (except for those developing countries receiving tariff preferences under the Generalized System of Preferences). And since the expiration of the Sugar Act, the United States has imported sugar from any source—except Cuba, Rhodesia, and

North Korea—under a nonrestrictive annual global quota set at 7 million short tons.

President Carter recently announced a sugar support program and rejected restrictions suggested by the International Trade Commission. Cuba could become price competitive in the U.S. market under a lifting of the embargo since tariff rates are the same for all countries excluding GSP nations.

For other commodities, a lifting of the embargo would not give Cuba any additional advantages because the Col-

umn 2 tariff would prevail. Cigars, a premium export item for Cuba in the pre-embargo period, would face strong competition from other suppliers in the U.S. market.

Another important factor is Cuba's enlarged debt. Estimates indicate a debt with the USSR of \$4.6 billion, which has been deferred until 1986. Payment in hard currency is not required. However, Cuba's capacity to import from the West could be affected by the need to divert a portion of its export capacity to the Soviet Union in order to effect

## Sugar's Price Decline Hurts Cuban Trade

Declining world prices for sugar, plus continuing drought in sugarcane areas of eastern Cuba, have dimmed Cuban export prospects and returned the country to the protective trade folds of the USSR and other Communist countries. This move—reversing earlier trade-diversification efforts—reflects the rapid depletion of Cuba's hard-currency reserves and points to further cutbacks in import trade with Western nations.

With f.o.b. Caribbean prices for raw sugar declining from a 1975 average of 44 cents per kilogram to less than 27 in 1976, Cuba last year saw its sugar exports fall to 5.1 million metric tons, raw-equivalent, valued at about \$2.9 billion, compared with 5.7 million at \$3.5 billion in 1975.

The value decline would have been even greater had not Cuba kept shipments of above-market-price sugar to the USSR near the record 1975 level of 3.2 million tons. It also increased exports to East European nations somewhat from the 520,000 tons of 1975. Sugar exports to most other nations declined, however. Those to the People's Republic of China (PRC) totaled only about 183,000 tons, less than half shipments in the early 1970's; Japan took only 100,000 tons in contrast to peak sales there of 1.2 million in 1974; and Spain purchased nearly two-thirds less than the 327,000 tons of 1975.

In the future, sales to Japan and Spain will continue, but at levels far

below those recorded in the early 1970's.

Following lengthy negotiations, Japan has agreed to import 1 million tons of Cuban raw sugar during 1977-80, including 100,000 tons in 1977 and 300,000 annually in the following 3 years. Exports to Spain also have been renegotiated at 140,000 tons for 1977 and 75,000 for 1978.

Because of smaller sugar exports last year, Cuba's December 1976 sugar stocks were up sharply from the 1975 level. But in January 1977 Cuba concluded an agreement to sell the USSR 1 million tons of raw sugar in addition to the yearly 2.5 million tons specified under current trade agreements. At the same time, it announced withdrawal from the international free market until August.

Partially offsetting the 17 percent decline in sugar earnings last year were small gains in Cuban exports of minerals, tobacco, and some foodstuffs, including citrus fruit and fish. Still, total exports declined 17 percent from the 1975 high of \$3.5 billion while imports dipped only slightly from \$3.8 billion as Cuba maintained purchases of essential foods and raw materials. Petroleum and some food imports were among the gainers, while machinery, transportation equipment, and other less-essential products bore the brunt of the trade belt-tightening.

Among the agricultural imports, purchases of wheat and flour—mainly from Canada—declined slightly in 1976 to 850,000 tons, while corn purchases from Argentina—presumably financed all or

in part on USSR account—were increased. In addition, some corn reportedly was imported from Hungary.

At the same time, Cuba had increased difficulty obtaining supplies of imported rice as imports from the PRC continued low for the second straight year, totaling 50,000 tons in 1976, compared with more than 200,000 in previous years. Cuba thus had to turn to Argentina, Colombia, Italy, and Spain for rice, and even received some via the USSR, which is a net rice importer itself. Presumably, those imports from the USSR are being purchased from Western Hemisphere sources on USSR account.

The country also has taken measures to curb consumption of some imported items. Coffee imports, for instance, were reduced last year, and the per capita weekly ration was cut from 43 to 30 grams, while the Government moved to rejuvenate domestic coffee production. And about half a kilogram of the per capita monthly rice ration was eliminated, to be replaced by just under 1 kilogram of cornmeal. However additional corn imports may be needed to meet the new rationing requirements since Cuban corn production is limited.

As a result of the reduced sugar prices in Western markets and consequent shift to increased trade with Communist nations, Cuba's exports to non-Communist countries last year plunged more than 40 percent from the 1975 level. Imports from these nations were 30 percent below the unusually high 1975 level.

The country's hard currency reserves were seriously reduced by larger 1975

repayment to the Soviets.

Credit lines of \$3 billion reportedly have also been extended by several Western countries but have not been used extensively. Currently, Argentina, Spain, the United Kingdom, France, and Canada are the principal sources of credits.

Finally, there is the question of U.S. national claims to \$1.8 billion worth of property in Cuba, expropriated after the 1959 revolution—as well as Cuban claims to \$60 million in assets frozen in the United States.

and 1976 deficits in its trade with Western nations. To alleviate the problem, Cuba reportedly restricted imports from Japan beginning in August and recently requested a year's delay in Japanese delivery of contracted capital goods.

These trade setbacks have prompted alterations of Cuba's economic plan for 1976-80. When originally drawn up in 1975, the plan called for increased imports of capital goods from nonsocialist countries, but a September 1976 announcement suggests that the country has returned to giving first consideration to trade with the USSR and other Communist nations.

In addition to its trade problems, Cuba now is confronted with potential drought damage to the 1976/77 sugarcane crop. This is the third year of drought in Eastern Cuba—reportedly the most severe in several decades—and the final outcome could be an even lower cane production than the current estimate of 5.7 million tons. Because of the drought, the 1975/76 harvest also was below expectations, totaling around 6 million tons, compared with 6.4 million in the preceding year.

Increased production of other export crops, such as tobacco, should help compensate in part for the sugar setback. But with sugar accounting for over 85 percent of the value of Cuban export trade, the total impact of gains in other crops is still small.

—LINDA BERNSTEIN AND  
HOWARD HALL, ERS

## U.S. Share of U.K. Market Up, EC Share Static

**I**N 1976, the United States improved its standing as a supplier of farm product imports to the United Kingdom by upping both the value of its total shipments and share of the U.K. import market. The European Community, the unquestioned leader, failed for the first time in a number of years to boost its market share—which in fact, fell off—although it did increase its total shipments. Some other traditional suppliers, such as Australia and Canada, shipped larger amounts than in previous years.

On an unadjusted basis, the United Kingdom increased its takings of U.S. farm products from £329 million to £468 million between 1975 and 1976, and the U.S. market share rose from 6.8 percent to 8 percent. The rise in the U.S. totals resulted from particularly large increases in the United Kingdom's direct imports of U.S. grains, oilseeds, and fruits and vegetables. (In 1976, the exchange rate was £1=US\$1.80. All export totals are on a c.i.f. basis.)

Also on an unadjusted basis, the eight other members of the Community provided 40 percent of the United Kingdom's agricultural imports, for a total of £2.35 billion in 1976, compared with 45 percent of 1975 imports, for a total of £2.16 billion. The EC's market shares of U.K. imports were 40 percent in 1974 and 32 percent in 1973.

Total agricultural imports by the United Kingdom amounted to £5.8 billion in 1976, compared with £4.8 billion in 1975.

This year's improved standing of the United States as a U.K. farm product supplier—being based on unadjusted totals—does not give this country credit for transshipments to the United Kingdom of U.S. grains and oilseeds through Dutch, Belgian, and Canadian ports. By making such allowances, the U.S. share of the U.K. import market is raised by 5.1 points to 13.1 percent and the total value by £295.2 million to £763.1 million. At the same time, to compensate for these increases, U.K. imports from its EC partners must be scaled down by 4.1 points to 35.3 percent and by £288.5 million to £2.06 billion. Also affected would be shipments from Canada, the percentage cut being from

4.1 percent to 4 percent and the value drop from £241.7 million to £235 million.

These adjusted totals are based on the assumption that all grains and oilseeds shipped to the United Kingdom by the Netherlands and Belgium, and all of Canada's corn and soybean shipments, are of U.S. origin. The U.S. totals would be larger still if allowances were made for items processed from U.S. primary products in intermediate countries. Examples of these are corn products imported from Canada but made of U.S. corn, and soybean meal and soybean oil processed in the EC and Canada from U.S. soybeans, but imported by the United Kingdom as EC or Canadian products.

A feature that emerges year after year in U.K. import data is the overall strength of the United States as the supplier of a wide range of farm products, a position not shared by any other single supplying country. For example, New Zealand's standing in the U.K. import market is based mainly on mutton and lamb, dairy products, and wool. Canada's standing depends largely on wheat; South Africa's on fruit and wool; Spain's on fruits and vegetables; and—within the EC—the standings of Denmark and the Irish Republic rest largely on livestock and dairy product sales.

A recent change in the method of crediting monetary compensatory amounts (MCA's) may have—to a degree—unjustly reduced the financial importance of EC-origin commodities. Until May 1976, MCA's on imports of EC CAP (Common Agricultural Policy) commodities were paid to U.K. importers, and the recorded c.i.f. values entered into the Government's import data, reflected the full price which would have been paid had the value of Britain's green pound and the pound sterling been the same. From May onwards, however, MCA's on EC-origin goods have been paid in the exporting country, thereby reducing by the amount of the MCA's the c.i.f. value credited to the United Kingdom.

In addition, the drop in the importance of U.K. imports of EC dairy products in 1976 (compared with 1975's)



played a major role in bringing about the Community's lower standing. Total value of all U.K. dairy imports, despite higher prices, dropped 3.5 percent to £504.6 million, while those from the EC were down 8 percent to only £412.4 million.

Another factor reflected in the fall in the EC's standing was the decline in live animal imports—particularly cattle for slaughter—from the Irish Republic, falling in value by 25 percent to £75.6 million.

On an individual country basis, by far the most important source of EC agricultural imports was the Netherlands—with shipments of £675 million—but the figure is, of course, inflated by transshipments. The United Kingdom's major sources of direct EC-origin products were, as usual, Denmark and the Irish Republic, with Denmark slightly in the lead because of the reduction noted in Irish live cattle imports.

Behind at some distance, with 6.4 percent of all agricultural imports into the United Kingdom, was France. Although its share was lower in 1976 than in 1975, France saw the value of its total sales to the United Kingdom rise almost 9 percent to £372.7 million, with grains and fruits and vegetables providing over half of the total.

Rising from ninth place in 1975 to sixth place in 1976, Australia's new position was largely due to a significant recovery in U.K. imports of Australian sugar, which had fallen sharply in 1975 with the termination of the Commonwealth Sugar Agreement.

The Canadian share of U.K. agricultural imports rose from 3.5 percent to 4.1 percent—largely on the strength of wheat imports. Brazil, on the other hand, lost ground in 1976, despite a sharp rise in imports of tropical products, largely because higher prices reduced coffee imports. Additionally, U.K. purchases of Brazilian oilseeds, particularly of soybeans, fell by 50 percent to only £4.3 million.

India's 1976 position, compared with that of 1975, showed little change, although the value of tea imports by the United Kingdom rose significantly. Only a moderate rise took place in the value of Indian shipments of tobacco. Spain's position showed relatively little change. Almost all of the U.K. takings from Spain consisting of fruits and vegetables.

—Based on report from  
*Office of U.S. Agricultural Attaché*  
*London*

## With imports from PRC down

# Japan Looks to the U.S. for More Food-Quality Soybeans

By JAMES Y. ISO

*Foreign Market Development, Oilseeds and Products  
Foreign Agricultural Service*

WHEN THE People's Republic of China (PRC) cut back on its soybean exports last year, Japanese manufacturers of miso, tofu, and other native soy foods were among the first to feel the pinch, having traditionally bought large quantities of PRC soybeans. As a result, Japanese importers are looking to the United States—already a major source for food-use soybeans—to supply even more of this specialty market.

Their shift could lead to perhaps a 100,000-ton gain in U.S. exports of food-quality soybeans to Japan, provided that:

- Sufficient incentives exist to encourage U.S. production; and
- Progress is made toward easing the transportation and storage problems inherent in this business.

In 1976, the United States shipped about 520,000 tons of these food-use soybeans to Japan out of total U.S. soybean sales there of 3.2 million tons and Japan's total soybean imports of 3.5 million. Japan received another 132,000 tons of food beans from the PRC and a few thousand tons from other supplying countries.

Adding to this a domestic production of 60,000 tons puts Japan's total soybean use in traditional foods last year at about 750,000 tons.

Each year, Japan uses about 720,000 tons of soybeans in traditional foods, including roughly 350,000 tons of tofu (bean curd), 180,000 of miso (bean paste), and 70,000 of natto (fermented beans). The remaining tonnage goes into other native products, such as kinako (processed beans) and frozen tofu, and into fresh soybean consumption.

Manchurian beans, produced in the colder regions of North China (usually north of 43° latitude), have long been considered the best tasting for fermented foods like miso and natto. As a result, the PRC has established a fair-sized market in Japan for native-food

soybeans, in 1975 supplying around 240,000 tons.

Last year, however, the PRC cut back sharply on such exports because of a poor domestic harvest, disruption of marketing channels by the devastating earthquake, and other internal problems. As a result, Japan received only around 132,000 tons of beans, compared with the anticipated 240,000, prompting Japanese soy food producers to expand their search for new, dependable sources of supply.

They have concentrated this search in the United States for several reasons. One is that the beans from Brazil—the only other major producer/supplier country—have not met the extremely complex standards of bean quality and coloration that are demanded by this quality-restrictive industry. As explained by discriminating Japanese manufacturers, high-quality native soybean foods must not only have a distinct taste appeal, but must also have eye appeal.

Outside of the PRC, the varieties of beans preferred by the food manufacturers are found in colder climates, such as Canada and the northern regions of the United States.

BECAUSE of these climatic preferences—and trade ties developed over the years—the several Japanese trading firms involved in importing food-type beans have come to prefer soybeans produced in Indiana, Illinois, Ohio, and Michigan. These beans, known among the trade as IOM beans, made up close to 500,000 tons of the food beans imported by Japan last year and go largely into tofu and related foods.

Around 55,000 tons of "identity-preserved" varieties also were imported last year. Soybean exporters are hoping to locate increased supplies of these types to supply miso/natto producers, who do not find variety admixtures such as the IOM beans, fully acceptable.

*Continued on page 16*



# The Mideast Poultry Outlet: Problems and Potential

By EDMUND H. DRIGGS  
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Poultry and Egg Institute of  
America<sup>1</sup>

**P**ROBABLY the hottest market today for poultry and eggs is the Mideast, whose immense oil income—and consequent strong demand for high-protein food—has attracted attention from almost every conceivable poultry and egg exporting nation. The United States is among those countries with big stakes in the Mideast—having already boosted its poultry meat and egg sales there from \$541,000 in 1970 to \$34.8 million in 1976—and U.S. exporters are moving aggressively to carve out still larger market shares.

To better tap this lucrative market, an extensive survey of domestic regulations and practices and competition was made during January-February 1977 in seven countries of the Mideast: Iran, Syria, Kuwait, United Arab Emirates, Bahrain, Saudi Arabia, Egypt.<sup>2</sup>

U.S. poultry meat and egg exports to the region, although small in comparison with total U.S. farm sales there of \$930 million last year, have nonetheless shown sharp gains in the past few years. U.S. exports of poultry meat to the seven nations last year totaled 3,270 metric tons, valued at \$5.3 million.

The region's boom, however, also has created major problems in logistics, communications, housing, labor, and finance—some of which affect the U.S. agricultural exporter. For instance:

- Shipping is a formidable problem, with port delays and high demurrage

<sup>1</sup> PEIA is the Foreign Agricultural Service cooperator in overseas market development for the U.S. poultry and egg industries. The London office covers the United Kingdom, the Mideast, Scandinavia, and Africa.

<sup>2</sup> More details can be obtained from Lee Campbell, Vice President, Government Relations, PEIA, 425 13th St., N.W., Washington, D.C., 20004.



*Clockwise from top: Shopper in a Jidda, Saudi Arabia, supermarket looks at U.S. poultry; exterior of modern supermarket in Jidda; and chef at a luxury hotel in Kuwait prepares U.S. broilers.*

charges for reefer ships. As a result, most sales are made with demurrage to the account of the buyers. The situation is gradually correcting, however, as governments shift priorities to port expansion, warehousing, and transport.

- The market generally demands a constant presence to stay on top of changing distribution and competitive situations. For instance, changes are frequently made in regulations, their interpretation, and application. Thus, U.S. exporters should determine from the importer what regulations are in effect just prior to shipment. Packing, labeling, use of metric measures, slaughter according to Moslem requirements, and required certificates are specified.

- Deep freezer storage space is short in all countries. Freezer storage construction does, however, have a high priority throughout the region.

- Poultry prices in the Mideast are always subject to negotiation, contracts, and subsidies (but no subsidies on products from the United States). Substan-

tial discounts are expected for volume purchases. Also, Government policies usually encourage importers to buy at best world market prices and sell at a price fixed by the Government, which pays the importer the difference between his purchase and sales price. (In Saudi Arabia, control is in five basic commodities, but not poultry or eggs as yet.)

Governments, indeed, hold a strong grip on imports and prices in most of the countries by means of licenses and price controls, although the past year has seen considerable easing of their control over food supplies in favor of private-sector participation.

In light of this situation, government tenders make up the bulk of food buying in the Mideast, with this business often done on back-to-back letters of credit that permit the seller to be paid by a European bank. Another standard practice is for a buyer's agent to offer the seller's product at an increased price for commission purposes. The existence of the commission payment system re-

sults in middlemen pushing aggressively to keep offer prices at rock bottom.

Private commercial importers participate in tenders by offering product at a price before they obtain firm prices from a supplier. But because this practice causes confusion in the marketplace, several government buying groups are attempting to deal as closely as possible to the supplier.

Commercial importers also buy U.S. product in smaller volume for their own account. C.&f. prices on U.S. table eggs so far have been too high to be competitive, but transport and bulk shipment methods are now being studied. Processed eggs are being introduced.

Throughout the region, American sellers are favorably received by buyers.

And U.S. products continue to maintain the highest reputation for quality and dependability throughout the Mideast. Prices for U.S. chicken and turkey parts are competitive at a premium over those from Western Europe because a brand acceptance has been established. U.S. whole turkey, for instance, will out-sell European competition in the same freezer at a 20 percent premium.

Prices at wholesale and retail are established on the basis of what the market will bear. Cut-throat price competition at retail and wholesale is generally not practiced, however.

**Iran.** This is one of the biggest importers in the Mideast as a result of a \$20-billion-a-year oil income and a population of over 35 million people. Major suppliers include Western and Eastern Europe, although the United States also has grown in importance recently. U.S. poultry meat and egg exports there in 1976 were valued at \$974,000—20 percent above sales a year earlier.

The Iranian Government allows imports of poultry by the private sector but controls the selling price. In addition, all imports into Iran are subject to the approval of two Government agencies. The Iranian Meat Organization (IMO)—a part of the Ministry of Agriculture—is responsible for the purchase of poultry and meat products. A second office, the Foreign Transactions Company (FTC) of the Ministry of Commerce, is responsible for the purchase of eggs and other commodities.

IMO officials stress the importance of that office being notified as far in advance as possible of the arrival date of each shipment. This allows time for the necessary steps to assure efficient unloading, transport, and warehousing of

frozen product.

To protect documents and reduce pilferage, the FTC requires that all shipments destined for Iran proceed directly from port of departure to an Iranian port without stopping in between. The FTC currently is attempting to set up long-term contracts with a reliable supplier of white or brown table eggs to eliminate the necessity of air-freight shipments.

Table eggs are now being air-freighted to Tehran at a price of around \$2,310 per metric ton.

Among tradespeople contacted in Iran was the head of a major chain operating in the Tehran area. The chain is seeking reliable supply sources for its full line of food products.

Another contact is one of the largest import and commercial distributors in Iran, with total imports of over \$50 million and expanding. This firm would welcome quotes, samples, and discussions with any U.S. supplier seriously interested in sales to Iran.

**Syria.** A new outlet for U.S. poultry meat and eggs, making its initial purchase of \$119,000 worth last year, Syria is a market to watch.

Here, trade is generally in the hands of the Government, whose buying office—the General Consumption Institute (GCI)—purchases poultry and eggs when supplies become low and prices correspondingly high. The private sector is authorized to import under license, but the Government maintains control through tenders. The Government would buy more and stockpile, except that freezer space is limited.

Following discussions about cooked turkey products, a GCI official expressed interest in receiving samples and prices to determine if such products can be substituted for other meats. The buying

#### U.S. EXPORTS OF POULTRY AND EGGS TO SELECTED COUNTRIES OF THE MIDEAST [In thousands of dollars]

Destination	1975	1976
Bahrain .....	292	413
Iran .....	809	974
Iraq .....	—	28,697
Jordan .....	—	2
Kuwait .....	353	966
Lebanon .....	261	—
Saudi Arabia .....	1,096	2,552
Syria .....	—	119
United Arab Emirates ..	304	1,096
Qatar .....	65	12
Total .....	3,180	34,831

office telex number is MASKI 19167 SY.

One company representative in Syria estimated the region's import requirements for young chicken as follows: Saudi Arabia, 50,000 metric tons; Kuwait, 25,000; UAE, 25,000; Iran, 50,000; Iraq, 45,000; Jordan, 6,000; and Egypt, 40,000. His company is probably the largest Mideast importer of poultry and eggs and has exclusive contracts with East European countries while also frequently selling to other importers. He said that Romania offers eggs at \$14 f.o.b. a case, and—with trucking costs at about \$7 a case—can offer a c.&f. price of \$21. Neither Western Europe nor North America can meet this price. However, because of frequent shortages, Mideastern buyers customarily accept eggs at up to \$45 c.i.f. per case or \$1.50 per dozen.

He also said that Brazil recently has offered young chicken at \$1,150 per ton, c.&f. Kuwait. (A recent Brazilian newspaper article reported the president of the Brazilian Poultry Union as saying "It is necessary to subsidize Brazilian broilers because exports are not profitable.")

**Kuwait.** With the world's highest per capita gross national product—nearly \$12,000 in 1974—Kuwait is packing a much more powerful punch in the world market than its population of under 1 million would indicate. This also holds true for poultry products, including im-

#### JANUARY-FEBRUARY 1977 C.I.F. PRICES FOR BROILER MEAT AND EGGS IN THE MIDEAST <sup>1</sup>

Supplier	Destination	
	East Mediterranean	Arabian Gulf
Broiler meat:		
Eastern Europe .....	1,270	1,150
Western Europe ....	1,275	1,350
United States .....	1,280	1,250
Brazil-Argentina ....	1,118	1,150
People's Republic of China (PRC) .....	—	1,100
Table eggs:		
Western Europe, by air .....	—	<sup>2</sup> 2,210
Eastern Europe, by truck .....	—	<sup>3</sup> 1,175

<sup>1</sup> Demurrage not included. <sup>2</sup> \$1.47 per dozen. <sup>3</sup> 78 U.S. cents per dozen.

NOTE: Prices quoted above include bulk shipments, usually charter. Smaller shipments can run up to double the charter rate. For Red Sea destination, the c.i.f. prices for Western Europe and PRC are \$1,275 and \$1,150, respectively.



ports from the United States, whose poultry and egg sales to Kuwait increased more than 2½-fold between 1975 and 1976 to nearly \$1 million.

No levy is charged on poultry imports into Kuwait, and port clearing charges are estimated at 7 percent.

Unlike some of the other Mideastern nations, Kuwait permits imports through private channels. However, private supermarkets face stiff competition from the Kuwait Supply Company—a Government agency that buys directly for 20 Government supermarkets at the lowest price and subsidizes retail prices.

Trade contacts in Kuwait revealed:

- A large supermarket is looking for 40 tons of chicken parts with the same weights in each case.

- In the past 12 months, the PRC has had about one-third of the Kuwait's import business—or around 7,000 tons. However, the PRC contract has not

been renewed, as PRC chicken is of inferior quality and taste because of the high percentage of low-quality fishmeal used in the feed.

- A group of Arabian Gulf shippers has organized into one company, United Arab Shipping (UAS), with headquarters in Kuwait. The organization—representing shippers in Iraq, Kuwait, Saudi Arabia, the United Arab Emirates, Bahrain, and Qatar—intends to provide strong shipping support for Gulf traders competing on the world market.

The UAS is interested in developing business with the United States and is open to contract chartering.

- One large importer is seeking to purchase up to 300 tons of U.S. game birds per year. Also, he wants an agreement with a U.S. supplier to pack chicken under his label.

- One owner of stores who imports direct for his stores and wholesales to

others, estimated that Kuwait imports about 70,000 tons of chicken and transships about 80 percent to the Gulf area. He stated that U.S. chicken parts, the most popular poultry meat products, are gaining an increased share of the market and suggested that U.S. promotion of chicken parts and turkey be directed at the consumer market.

- Kuwaiti eggs are wholesaled at \$42 per case. As part of the operation, 2,000 tons of freezer storage is maintained.

**United Arab Emirates (UAE).** As in Kuwait, a superabundance of oil money has made for a disproportionately large demand for poultry imports among the seven UAE shiekhdoms. And the United States has been one of the leading beneficiaries, with poultry meat and egg sales there soaring more than 3½-fold between 1975 and 1976 from \$304,000 to \$1.1 million. The UAE, in fact, ranked as the third largest U.S. poultry and egg

#### MIDEAST SUPPLY AND DISTRIBUTION OF TABLE EGGS, 1976 ESTIMATE AND 1980 FORECAST

Countries	Local production		Estimated imports		Total consumption		Average per capita consumption	
	1976	1980 <sup>1</sup>	1976 <sup>2</sup>	1980	1976	1980	1976	1980
	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Pieces	Pieces
Egypt .....	125	250	640	1,000	765	1,250	20	31
Iran .....	2,200	3,000	600	1,000	2,800	4,000	79	113
Iraq .....	75	1,400	200	—	275	1,300	24	100
Jordan .....	56	250	80	20	136	270	47	90
Kuwait .....	20	100	160	80	180	180	180	180
Lebanon .....	<sup>3</sup> 500	300	<sup>3</sup> —	300	<sup>3</sup> 500	600	<sup>3</sup> 142	159
Saudi Arabia .....	160	240	216	460	376	700	60	100
Syria .....	250	1,400	—	—	250	1,400	33	175
UAE—Bahrain .....	—	100	80	20	80	120	100	120
Total: .....	3,386	7,040	1,976	2,880	5,362	9,820	<sup>4</sup> 76	<sup>4</sup> 119

<sup>1</sup> Projections are based on local-government estimates of production from developing projects, which are running into construction delays that indicate 1980 production forecasts are substantially exaggerated. If so, 1980 imports could double. <sup>2</sup> Eastern Europe is estimated to supply over 75 percent of all imports. <sup>3</sup> 1975 figures, 1976 not available. <sup>4</sup> Average.

#### MIDEAST SUPPLY AND DISTRIBUTION OF BROILER MEAT, 1976 ESTIMATE AND 1980 FORECAST

Countries	Local production		Estimated imports		Total consumption		Per capita consumption	
	1976	1980 <sup>1</sup>	1976 <sup>2</sup>	1980	1976	1980	1976	1980
	1,000 m.t.	1,000 m.t.	1,000 m.t.	1,000 m.t.	1,000 m.t.	1,000 m.t.	Kg.	Kg.
Egypt .....	82	203	40	18	122	221	3	5
Iran .....	135	204	55	91	190	295	5	7
Iraq .....	20	96	45	23	65	118	6	10
Jordan .....	22	29	6	10	28	39	10	12
Kuwait .....	2	9	11	9	14	18	13	18
Lebanon .....	<sup>3</sup> 22	27	<sup>3</sup> 9	15	<sup>3</sup> 31	42	<sup>3</sup> 8	10
Saudi Arabia .....	18	36	36	49	54	84	9	12
Syria .....	7	83	5	(*)	12	65	2	8
UAE—Bahrain .....	1	3	11	14	13	16	16	16
Total: .....	309	691	219	227	528	899	<sup>5</sup> 8	<sup>5</sup> 11

<sup>1</sup> Projections are based on local-government estimates of production from developing projects, which are running into construction delays that indicate 1980 production forecasts are substantially exaggerated. If so, 1980 imports could reach 400,000 metric tons, compared with 219,000 in 1976. <sup>2</sup> Approximate shares of the import market break down as follows: Western Europe, 25 percent; the United States, 20 percent; Eastern Europe, 35 percent; the People's Republic of China, 15 percent; Brazil, 5 percent (but Brazil may get 15 percent of the market in 1977). <sup>3</sup> 1975 figures, 1976 not available. <sup>4</sup> Expected to be a net exporter by 1980. <sup>5</sup> Average.





*A poultry research station in Lebanon, which until recently was the most important Mideastern supply point for shell eggs and broilers.*

market in the Mideast last year.

Imports into Dubai—the modern port of the UAE—move through private trade channels.

One large importing group there, representing a number of European and American brands, has freezer storage, warehouse space, and a trucking system throughout the UAE. An official from this organization stated that the United States could get the majority share of the entire Mideastern market if suppliers were prepared to charter a 5,000-ton ship each month to the Gulf and sell from the ship. The firm reportedly has purchased up to \$6 million in U.S. food products and is interested in receiving offers on U.S. poultry for up to 300 tons a month, delivered to Dubai or Muscat. Offer prices for Danish poultry, at \$1,350 a ton, were reported as too high.

The representative also said that British eggs had been offered by air at \$45 per case on 30-day delivery. The firm he was in touch with, a U.S. airline, discussed cargo rates from New York direct to Bahrain. (An Australian airline was offering from Amsterdam at about the same price of \$1.50 per dozen.)

Offer prices on Spanish eggs were said to be even lower, but quality was reported inferior.

**Bahrain.** Another rapidly growing U.S. market, Bahrain took \$413,000 worth of U.S. poultry meat and eggs last year, compared with \$292,000 in 1975.

Product enters this market through private commercial channels. The managing director of a store chain said that U.S. whole chicken was too high and he is buying French chicken at \$1,350 per ton, c.i.f. Bahrain. He does buy U.S. whole turkey, chicken parts, and

ducks; purchases of these products increased about 30 percent during the past 12 months.

Retail prices in the chain's stores included U.S. chicken parts at \$1.88 per pound; U.S. whole chicken, \$1.38; beef tenderloin, \$3.62; steaks, \$2.25; U.K. pork sausage, \$1.95; hot dogs, \$2.32; cod filets, \$1.82; plaice, \$2.90; local shrimp, \$3.77; and Romanian eggs, \$1.01 per dozen.

This source stated that U.S. shell egg prices of around \$35 per case, c.i.f., could be interesting, particularly during the recurring cycles when East European eggs are not available. He suggested that U.S. suppliers check air-cargo service between New York and Bahrain.

Another retailer said that U.S. Rock Cornish hens sell well even at the c.i.f. price of \$1.400 per ton.

**Saudi Arabia.** Next to Iraq the second largest U.S. poultry market, Saudi Arabia last year took \$2.6 million worth of U.S. poultry and eggs—more than double the \$1.1 million worth of 1975. U.S. chicken, turkey, game hens, turkey rolls, and ducks have taken the lead position in the Eastern Province market. These products enter the country through private trade channels. Trade interviews revealed:

• One importer who had been purchasing U.S. chicken parts wanted a quote on a container-a-month of chicken parts to accompany a second container-a-month of broilers. He said that he would purchase initially on a test basis and if this proved satisfactory would recommend that each of his firm's three offices buy 100 tons per month for delivery to Damman, Riyadh, and Jidda. It is important that each box hold the same weights of chicken—

900-1,400 grams, USDA Grade A, Halal Slaughter, and vacuum packed. These conditions were reiterated by other contacts. The importer would prefer the chicken parts be in 1-pound packs and not trays.

• Another importer, a buyer of U.S. turkey products, is interested in purchasing up to 1,000 tons per month of U.S. chicken if Saudi Arabian specifications can be met. He said that Western Europe was offering chicken at around \$1,250 per ton, and Brazil, at around \$1,170, c.i.f. Damman. He also said that the Damman port has no delays and is the best port in the Gulf area.

• A supermarket manager stated that the EC subsidy on chicken is on and off, depending on supply and estimated imports of chicken at 50,000 tons in 1976 and possibly double that to 100,000 tons in 1977. He said that chicken meat is now among the cheapest meats on the market and will continue to get a larger share of the market throughout 1977.

Selected supermarket prices were:

	<i>Dol. per pound</i>
Chicken breast .....	2.13
Chicken thighs, livers ....	1.86
U.S. beef franks .....	2.55
French chicken .....	1.70
Danish hamburger .....	2.52
U.S. turkey .....	2.14
Steaks .....	6.88
U.S. breast of turkey .....	3.00
Breakfast beef (bacon) ...	5.29
Table eggs .....	2.28

All tradespeople contacted emphasized shell eggs were in short supply.

**Egypt.** Although it imported about 88,000 tons of poultry meat all told, Egypt was not a market for U.S. poultry products last year. Eggs are imported usually only for holiday periods and in limited quantity.

At the time of the survey, Egypt had no licensing requirements or levies on food-product imports, but the Government was controlling all facets of imports, either through licenses or direct buying. All offers on Government tenders must be submitted through a local private agent identified in advance.

Egyptians have a strong preference for "fresh" food, meaning that the largest percentage of chicken consumed in Egypt is slaughtered at local butcher shops after customer selection.

The Government—which accounts for about 20 percent of total poultry production—has its own slaughterhouses, and markets its poultry at a low price.

# U.S. FOOD SHOWS IN MID-JUNE AT HAMBURG, BERLIN

**A** MERICAN FOOD trade specialists—who have built West Germany into a multimillion-dollar market for U.S. processed foods—will have another opportunity to find West German outlets for their products at upcoming FAS food shows in two German cities.

Opening in Hamburg's Inter-Continental Hotel, June 7-8, the first show will be followed by another about a week later at Berlin's Hotel Schweizerhof, June 13-14. The German shows—patterned on similar successful ones in the United Kingdom—have attracted sizable crowds since the first German show was held in Dusseldorf in 1974. Firms participating in last year's hotel shows at Nuremberg and Munich reported "strong" sales.

Aimed primarily at chefs and caterers operating institutional kitchens in hospitals, factories, and profit and nonprofit "homes," the exhibits also draw sizable attendances of hotel and restaurant chefs, food tradesmen, and large-scale buyers such as those from chain stores.

In addition to the approximately 8 U.S. firms and exporters participating in the shows 22 German importers will also display U.S. food items—about 100 products in all. Many of these will be available for sampling, and will include 10-12 new to the German market.

Soybean products will get good play; soy isolates, textured soy protein, soy flour, and soybean fats and oils will all be displayed. In addition, dehydrated herbs, parboiled rice, canned, frozen, and air-dried fruits and vegetables, condiments, dressings, dried and roasted nut kernels, and California wines, oranges, and grapefruits will be exhibited, along with frozen juices and juice concentrates, and pie fillings.

A display of U.S. beef and pork products—including choice beef cuts—will also be featured at both shows, as well as U.S. turkey products, walnuts, and prunes.

To insure that those attending the exhibits are those most interested in U.S. processed foods, about 6,000 invitations have been sent out by the Office of the U.S. Agricultural Attaché in Bonn to a



*Partial view of the U.S. exhibit area at last year's "Green Week" exhibit in Berlin, one of the German shows regularly participated in by U.S. processed food producers.*

selected mailing list. A special effort was made to invite importers, especially from Hamburg, one of West Germany's major import centers. Accompanying the invitations—especially tailored to the special interests of each group—were brochures explaining the purpose of the exhibit and facilities available, plus a reply card.

Several special events will be held prior to the opening of the exhibits, one of which will be a press walkthrough to give reporters and correspondents for food magazines a leisurely look at the products being displayed. A reception-

buffet is also scheduled for invited guests.

U.S. farm exports to West Germany in 1976 totaled \$1.8 billion, with processed foods making up a record \$123.2 million of the total.

U.S. consumer food sales have chalked up steady gains each year and have more than doubled in the past 5 years. Contributing to this increase were larger exports of poultry and poultry products, walnuts, citrus, orange juice, canned cherries, preserved vegetables, and frozen bakery products.

—M. P. MURPHY, FAS

## U.S. WATERMELON SEED ARRIVES IN TURKEY

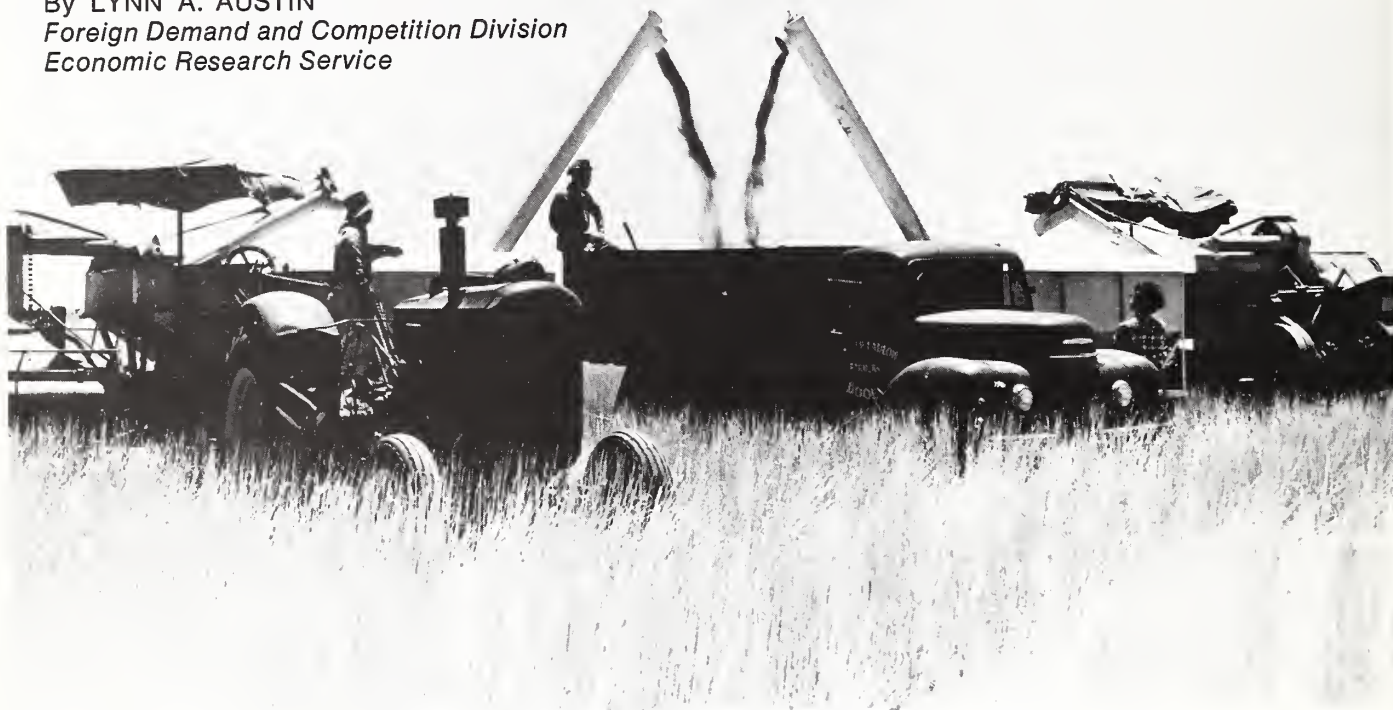


*Turkey recently made its first large import of U.S. seed—5 metric tons of Sugar Baby watermelon seed—mostly for distribution to farmers in the Adana region in the southeastern part of the country. The seed is shown arriving at the Istanbul airport last month.*



# Nonprice Factors Influence Australia's Wheat Exports

By LYNN A. AUSTIN  
Foreign Demand and Competition Division  
Economic Research Service



AUSTRALIA'S annual wheat exports are substantially influenced by a combination of factors not directly related to price or size of crop, including inadequate storage capacity in the interior, relatively frequent work stoppages by grain handlers, and obsolescent railway equipment.

Theoretically, the quantity of wheat offered for sale increases as prices (wheat prices relative to input and alternative crop prices) increase. But in the short run, other factors can be more important determinants of the quantities of wheat available for sale.

The Australian Wheat Board (AWB) at harvest becomes the legal owner of all wheat (except approximately 750,000 tons retained on farms for feed and seed) produced in the country. Producers receive their first advance or down payment for grain as it is delivered to local silos.

Other payments are made more or less regularly over the following 1-3 years until the total price—which depends on averages of domestic and export prices—is paid. Sometimes there are two domestic prices—one for food; one for feed.

In general, AWB decisions to export wheat depend on current price, expected future price, anticipated domestic consumption, storage costs, long-term agreements, and stocks policy.

A recent Australian Government study<sup>1</sup> estimated the storage cost of wheat at the equivalent of US\$7.40 per ton per year, or 62 cents per month. If the future price is expected to be less than the current price plus storage costs, the decision would likely be to sell immediately, all other things being equal.

However, stocks, which once amounted to more than 7 million tons, have not been a serious concern recently. The AWB has preferred to reduce stocks to a pipeline level of about 500,000 tons, although in drought years the AWB may store an extra 500,000 tons for feed.

Long-term export contracts have not been particularly satisfactory in the past few years. Although agreements are reached as to approximate quantities

and future delivery periods, conditions prevailing at the actual times of delivery (especially relative prices) seem to outweigh the conditions of the agreement. Purchasers usually require delivery only if it is economically advantageous in the immediate period.

As far as domestic consumption is concerned, it is fairly easy to estimate—given the price set by the AWB and relatively inelastic demand—the portion of production to be set aside from annual wheat deliveries for internal consumption.

If these were the only factors to consider, projecting the level of Australia's wheat exports—once production is known—would be a simple matter: Quantity exported would equal the beginning stocks plus production less domestic consumption less a minimum level of stocks.

In effect, the AWB would attempt to sell all wheat—even at low prices. However, stock carryovers at yearends appear to be random rather than minimum amounts. Such stocks often have been substantial, despite the AWB's claim to be a price-taker and Australia's proven capacity to export more than 9 million

<sup>1</sup> "The Costs of Long-Term Storage of Additional Wheat Stocks in Australia," *Quarterly Review of Agricultural Economics*, Bureau of Agricultural Economics, Canberra.



tons annually—enough to reduce stocks to 500,000 tons in most years.

Among the factors that influence export and stock variability, strikes and work stoppages figure importantly. The strength of labor unions in the economy is great. On July 12, 1976, 5 million Australian workers—more than 80 percent of the country's labor force—struck for 24 hours to emphasize their demand for changes in the national medical plan.

In the grain handling industry, union members are diligent in petitioning the Grain Elevator Boards (GEB's, which hold exclusive rights to handle wheat in each state) for higher wages and improved working conditions in hazardous jobs.

During marketing years 1973/74-1975/76 (December-November), various disputes between unions and the GEB's resulted in frequent delays and work stoppages in the movement of wheat to ports and aboard ships.<sup>2</sup> Not coincidentally, there were excess ending stocks in those years.

Time lost in ports because of work stoppages in loading wheat aboard ships is estimated to have held at about 20 percent of total port time since 1971. Loading time, however, went from 11.4 percent of total port time in 1971 to 8.1 percent in 1976.<sup>3</sup> Time lost as a result of strikes now outweighs loading time by more than two to one. Although it is possible to load a 20,000-ton ship at the Sydney terminal in 20 hours, the turnaround time has been as high as 20 days.

These delays and stoppages are magnified by another problem—the inability of the country's rail transport system to respond and compensate after work stoppages have ended.

Much of Australia's Government-owned railroad system—which operates at a loss—consists of different-gage tracks and depreciated rolling stock. However some states are now modernizing their equipment. About a third of the cars registered in New South Wales (NSW) are new and have a capacity of more than 50 tons each.

On the other hand, efficiency is not high. During 1976, the cost of labor per ton mile on the NSW rail system

was reportedly 50 percent higher than on the St. Louis-San Francisco (Frisco) Railway in the United States.

Australia's carryover of wheat alone in some years is near 2 million tons. With the production of over 4 million tons of wheat and 500,000 tons of barley, the 275 receiving facilities throughout the State, many of which are old and rudimentary, are taxed heavily to prevent bottlenecks.

Conversely, many of the port facilities are exemplary of the most efficient to be found anywhere in the world. However, the speed with which grain can move to ports is governed by the bottlenecks encountered enroute.

The net effect of labor disputes plus storage and transport deficiencies is that wheat cannot always be shipped either when the AWB wishes or to the particular port that the AWB designates.

Consequently, in estimating the amount of wheat to be exported from

Australia in any year, it is necessary first to determine the quantity the AWB wants to export. The amount—calculated by using the formula stated above—can be assumed as the maximum for the year.

Then assessments of labor stability and rail transport adequacy must be introduced into the overall analysis to determine the quantity of grain available for export.

Australia likely will continue to export substantial quantities of wheat at competitive prices, while the export levels of most other major wheat producing countries usually can be determined simply by dealing with prices, stocks, and production.

Australia's wheat export levels from year to year must be calculated by the use of the more complex formula that takes into consideration the nonprice factors that influence the annual variations in Australia's wheat exports.

#### AUSTRALIA: WHEAT EXPORTS (EXCLUDING FLOUR), JULY-JUNE YEARS

Country	5-year average 1971/72 1972/73 1973/74 1974/75 1975/76 (1971/72-1975/76)						Percent of total
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	
Arab Republic of Egypt ..	1,801	777	736	861	1,016	1,034	15.0
Japan .....	1,466	752	472	1,009	1,063	943	13.7
People's Republic of China	0	324	1,239	1,423	1,083	799	11.6
Soviet Union .....	502	908	18	635	1,310	674	9.8
Other .....	4,691	2,801	3,044	3,998	3,095	3,444	49.9
Total .....	8,736	5,562	5,509	7,926	7,567	6,894	100.0

Source: Australian Bureau of Statistics.

#### WORLD WHEAT AND FLOUR (IN GRAIN EQUIVALENT) EXPORTS, JULY-JUNE YEARS

Country	5-year average 1971/72 1972/73 1973/74 1974/75 1975/76(1971/72-1975/76)						Percent of total
	mil. tons	mil. tons	mil. tons	mil. tons	mil. tons	mil. tons	
United States .....	16.9	31.8	31.8	28.0	31.5	27.9	41.2
Canada .....	13.7	15.6	11.5	11.2	12.1	12.8	18.9
Australia .....	8.7	5.6	5.4	8.2	7.9	7.2	10.6
Argentina .....	1.3	3.4	1.1	2.2	3.2	2.2	3.3
Other .....	16.0	16.3	20.0	19.0	17.4	17.7	26.0
Total .....	56.6	72.7	69.1	68.6	72.1	67.8	100.0

Source: USDA Economic Research Service.

#### AUSTRALIA: PREFERRED AND ACTUAL ENDING STOCKS OF WHEAT [1,000 tons]

Year as of Nov. 30	(a) Preferred by the Australian Wheat Board <sup>1</sup>	(b) Actual <sup>2</sup>	(a)—(b)
1971 .....	5,500	3,462	—2,038
1972 .....	2,026	1,448	—578
1973 .....	285	478	193
1974 .....	600	1,882	1,282
1975 .....	500	1,658	1,158
1976 .....	600	<sup>3</sup> 2,100	<sup>3</sup> 1,500

<sup>1</sup> Inferred from ending stocks forecasts made at beginning of the marketing year.

<sup>2</sup> Australian Wheat Board Annual Report, 1974/75. <sup>3</sup> Estimate. Sources: U.S. Agricultural Attaché, Canberra, and Australian Wheat Board.

<sup>2</sup> For example, 2 million working days were lost through disputes during the July-December 1976 period.

<sup>3</sup> Travel movements in port, waiting for berth, delays due to bad weather, repairs, and waiting for departure accounted for the remaining 72 percent. (Graeme Andrews, *Australian Country*, November 1976).

# Conquest of Cerrados Reaping Results in Brazil

By DUARTE G. PEREIRA  
*Office of U.S. Agricultural Attaché  
Brasília*

**A**LREADY a world agricultural superpower, Brazil is focusing on a new frontier—the conquest of its vast cerrados area, equivalent to the combined area of California, Texas, and Oklahoma. Here, the Government has launched a massive expansion program to bring 3.7 million hectares of land into farm production by 1979, and to boost output of key crops such as soybeans, grain, and coffee.

In January 1975, an initial investment of US\$1.6 billion was committed to agricultural development of the cerrados, representing about 15 percent of Brazil's land area. So far, positive steps have been made toward the Government's goal of a 7 percent annual growth rate in agriculture.

Previously, cerrado pastures were used for cattle-raising and rice production. However, despite poor soils, this scrub-covered savanna is rich in resources, containing large deposits of phosphate and limestone—much needed for increasing soil fertility. Experimental projects in this region have produced yields higher than the national average for such crops as soybeans, irrigated and nonirrigated rice, corn, coffee, and wheat. And high net returns have covered most initial production costs.

Besides the attraction of low land prices in the cerrados, the Government is pushing farm expansion through cheap credit, direct investments in research, the opening of more roads, increasing energy availability, and improving the agricultural infrastructure. But problems of poor soils, high inflation, and the country's unfavorable trade balance are hindering the development of the cerrados. Brazil is open to foreign and private investments to help offset current budget cuts by the Government.

Enjoying high rates of economic growth over the last decade, Brazil has emphasized industrialization in an effort to reduce or eliminate imports of manufactured and capital goods. Agriculture lagged behind. After the oil crisis, Brazil

faced the urgent need to increase exports to pay for higher-priced oil and to relieve increasing trade deficits. The Government responded by launching its massive farm expansion program, including development of the previously underproductive cerrados.

The cerrados and the Amazon forest are the last two great frontiers left in Brazil. The campos cerrados—commonly called “cerrados” — covers 500,000 square miles (1.3 million square kilometers). Eighty percent of the cerrados lies in the States of Minas Gerais, Goiás, and Mato Grosso, but this region is thinly populated, with only 8 million people (1973 estimate). Having altitudes of 600-1200 meters, it is often referred to as the Central Plateau of Brazil.

This savanna region is covered with stunted, twisted trees, and natural grasses of poor quality. The soils, extremely low in phosphate and other nutrients, are poor. Although rainfall is irregular throughout the year, there are two defined seasons: a wet summer and a dry winter, the latter averaging about 5 months. During the wet season a phenomenon—called “veraneio,” a period of 1-2 weeks without rain—can occur, making irrigation desirable.

Temperatures do not differ much from the rest of the country and are more related to altitude than any other factor. However, the extended dry season and the relative low humidity discourage plant diseases, which cause serious crop losses every year in the south and southeast. Also, the absence of frost presents a great advantage over the weather in the coffee and wheat areas of the south.

The topography and the structure of the cerrados, which is good for mechanization, and the relative nearness to markets favor the establishment of large farms. The cheap land prices, which partly offset high initial investments, are expected to attract farmers from traditional agricultural areas elsewhere.

The low water availability of the

cerrados is not seen as a barrier to farm expansion. Although only about 8 percent of the land can be irrigated by a low-cost trench system, this would still be enough to double present farm production in the cerrados. Abundant water reservoirs in the lower soil layers across the region make more sophisticated systems of irrigation possible at all times of the year throughout most of the cerrados. Irrigation is most important for wheat, which is usually grown during the dry season.

The biggest barrier to farm development is the poor fertility and high acidity of the cerrado soil. Soil improvement requires huge quantities of fertilizer and limestone.

Fertilizer is the most serious problem because domestic production still does not meet Brazil's requirements. Fertilizer use, up sharply the past year as a result of subsidized prices, is expected to increase further in the near future. Large amounts of phosphate, the most needed fertilizer, are used during the first crop year in the cerrados. Brazil's largest reserves of phosphate are in the cerrados. These reserves, calculated at 160 million tons, are being developed—and by the mid-1980's, they could supply most of the country's demands.

The cerrados also have huge deposits of limestone, estimated at 6.2 billion tons, 50 percent of Brazil's total. Government incentives under the Program for Agricultural Lime (PROCAL) are aimed at speeding up the extraction and crushing of limestone. The nation's annual needs by 1980 are forecast at 15 million tons.

**D**ESPITE low yields from the poor natural pastures, the cerrados have been for some time a frontier for cattle raising. In opening new pastures after clearing the land, rice is planted the first year or two before letting pastures grow. The cerrados are already important for rice and beef cattle production.

However, greater potential exists for such crops as nonirrigated rice, soybeans, wheat, cotton, manioc, peanuts, corn, citrus, and pineapple. In 1973, a development project on the cerrado lands of Minas Gerais introduced modern, mechanized agriculture. By early 1976, over 12,000 hectares were planted to soybeans, coffee, and wheat. Wheat area in this region is predicted to increase from 3,000 to 15,000 hectares in 1977.





*Brazil's President Ernesto Geisel (center) examines soybeans on a large farm in the State of Goiás, near Brasília. Accompanying the President on the field visit was the Brazilian Minister of Agriculture Alysson Paulinelli, standing to Geisel's immediate left.*

for the program.

The program was implemented in 12 areas selected to promote the development of neighboring areas and bring an additional 3 million hectares of cerrado lands into use. From June 1975 to May 1976, POLOCENTRO brought 176,000 hectares of cerrado land into production, achieving its first-year goal. The target for 1976/77 is 706,000 hectares.

Average yields at the 12 cerrado sites are way above national averages. The cerrado yields in tons per hectare compared with national averages in parentheses are as follows: Irrigated rice, 5.0 (3.0); nonirrigated rice, 1.8 (1.3); soybeans, 2.2 (1.2); and corn, 2.5 (1.4). Program officials say future yields can be increased by 40 percent for irrigated rice, 66 percent for non-irrigated rice, 14 percent for soybeans, and 60 percent for corn. These yields in the cerrados are believed high enough to compensate for the cost of starting crop production.

The POLOCENTRO program makes cheap credit available to farmers willing to start or improve production in the cerrados. The special farmer loan program, which began in late October 1975, had approved 1,043 loans worth Cr\$2.47 billion by the end of September 1976. Credit is extended for land preparation, liming, intensive fertilizing, and fixed and semi-fixed investments as well as investments on machinery and equipment plus operating costs for crops, livestock, and equipment maintenance. The highly subsidized interest rates—ranging from 7 to 18 percent per annum—do not come close to covering Brazil's annual inflation rate, which was 46 percent in 1976.

Besides financial help through cheap credit, the Government is investing directly in research, technical assistance, and improvement of the agricultural infrastructure.

Research is led by the Brazilian Agricultural Research Enterprise (EMBRAPA), which has three centers in the cerrados: For rice and beans, for corn and sorghum, and for beef cattle. Research funds during 1975-77

are expected to total Cr\$120 million. Technical help is provided by the Brazilian Technical Assistance and Rural Extension Enterprise (EMBRATER), which passes research results on to farmers. Besides direct assistance, EMBRATER is establishing 205 demonstration fields (130 for crops and 75 for cattle raising) to show farmers how to cultivate cerrado land with modern technology. Funds for technical assistance amounted to Cr\$257 million during 1975-77.

Skilled managers and workers are among the most important resources needed for the development of the cerrados. A "skill" shortage exists in Brazil, and this could be a limiting factor on farm expansion unless it is corrected by both public and private sectors.

The Government's infrastructure investments cover the improvement of storage, roads from farm to market, and increased energy, in the POLOCENTRO areas of Minas Gerais, Goiás, and Mato Grosso. It is estimated that new storage facilities for 473,000 tons would have to be built during 1975-77. During this same period, the program sought the opening of 2,350 kilometers of dirt roads and 2,050 kilometers of electric transmission lines in the cerrados.

Continued exploitation of the cerrados will depend on Government support and initiative for several years. Battling high inflation and deficits in its balance of payments, Brazil is cutting investments in many sectors of the economy. Although a priority sector, agriculture will suffer adverse effects from budget cuts in other sectors as well as from a slowing down of direct Government investments.

Foreign and private investments are welcome. Negotiations with Japan resulted in a memorandum of understanding, setting up the framework for a pilot project to develop 50,000 hectares of cerrado land in Minas Gerais. Soybeans, corn, sorghum, wheat, coffee, and eucalyptus will be cultivated. A total of 15.575 million yen (US\$55 million) will be invested in the plan, with about half of the funds coming from Japan. If the project succeeds, it will be expanded to cover 300,000 hectares, and eventually, 1 million hectares. Although not connected with POLOCENTRO, foreign investors receive all the benefits extended to Brazilian farmers and entrepreneurs.

All crops in the project boast better yields than the natural averages. During the first year the soil's acidity had to be corrected, so the soybean yield was only 0.7 metric tons per hectare. But in the next 2 years, soybean yields jumped to 2.1 tons and 2.4 tons per hectare, respectively. In the same period, fertilizer applications fell from 0.4 tons per hectare the first year to 0.3 tons per hectare the third year.

In Brazil's quest for wheat self-sufficiency, wheat has become a priority crop of the cerrados, where yields are higher than in the State of Rio Grande do Sul and disease problems are less serious. A 1975 study showed the average wheat yield in the cerrados at 2 tons per hectare. While total production costs of cerrado wheat ran 32 percent higher than in the south, the net return per hectare in the cerrados was about three times the average return in the south.

In 1975, the Government launched the Program for the Development of the Cerrados (POLOCENTRO) to promote a fast and substantial expansion of the country's agriculture. The makeup of the program's 1975-79 goal of bringing 3.7 million hectares into agricultural production includes 1.8 million hectares earmarked for crops, 1.2 million for pastures, and the rest for forestry development. During 1975-77, US\$1.6 billion was allocated





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FOREIGN AGRICULTURE

## Soviets Boost Grain, Meat Output Targets

The Soviets have elevated their goal for grain output for the 10th 5-year plan (1976-80). The new annual average figure to be achieved during the period has been set at 220.4 million tons. Originally, the plan called for 215-220 million tons per year. Average output in the 5 years 1971-75 was 181.6 million tons.

The new target likely emanates from the record crop of 224 million tons harvested in 1976 and the current good prospects for this year. There have been no indications, however, that the 1977 target of 213.3 million tons has been

changed.

Along with the announcement of the increased goal for grain production, the Soviet Union's meat target also was revised. The annual average plan for 1976-80 was raised to 16 million tons from the original 15-15.6-million-ton figure. During 1971-75, meat production averaged 14 million tons annually.

On the basis of the relationship between the revised targets for the output of grain and meat for 1976-80, it could be inferred that the Soviets will be looking for greater imports of grain in the next 3-4 years than originally intended.

ties were grown under contract, collected, and stored separately for export. Much of this business has been carried out in the Bloomington-Farmers City area of Illinois. Desired varieties are also abundant in the upper midwestern States of Iowa, Minnesota, and Wisconsin.

In the wake of the shortfall in Chinese deliveries, these northern producing States have been combed by a number of traders. However, several difficulties have hindered this search for new sources of supply. For instance:

- Farm groups are often reluctant to forward contract because of the uncertainty of the market, the sometimes lower yields obtained from some preferred beans, and the possibilities of risk. Besides a contract price, therefore, farmers often have sought other assurances, such as guaranteed payment on the basis of a given yield.

- Since food-bean sales frequently involve volumes of only several hundred tons, transportation costs are unusually high. Small traders often must ship "identity preserve" beans in containers at a freight cost substantially higher than bulk rates.

Japanese demand for food soybeans for native dishes has been keen to the point that in times of shortages food manufacturers often have closed their eyes to costs so as to obtain the desired quality. However, competition for export sales in this limited market is intense, forcing exporters to sharpen their pencils to calculate ways of delivering the product at lower costs.

## Japanese Soybean Search

*Continued from page 6*

What these producers are looking for is a large bean with a white hylum and high protein and carbohydrate content. All food beans must be No. 1 grade quality.

Talks with miso/natto manufacturers have revealed that such U.S. varieties as Amsoy, Korosoy, Kanrich, and Beeson meet this general description. However, a bean with all the desired features comparable to the PRC's, particularly as related to taste, is not as yet commercially available in the United States, according to the manufacturers.

The U.S. Department of Agriculture's Northern Regional Research Center, the

University of Illinois, and private seed company researchers have carried out some variety research in the past. But positive evaluation of the results by the Japanese has lagged.

The variety-designated beans cannot be mixed with other varieties, nor with beans destined for crushing. Thus, Japanese trading firms and U.S. exporters that do volume business in food beans not only conclude production contracts with independent U.S. farmers but also often lease storage and ship in special carriers to assure "identity preserve" of the beans.

The Japanese firms initially developed their U.S. supply sources through joint ventures with U.S. grain companies or cooperatives, whereby select bean varie-